Actuarial Valuation Report

City of Rockville Defined Benefit Pension Plan

4-45822

Plan year beginning 04/01/2009
and ending 03/31/2010

For Additional Information

If you have any questions about the material covered in this report, please contact your Pension Actuarial Analyst, Matt Sampogna, by:

- Phone – 1-800-557-6627 extension 9692, or 412-394-9692
- Email – Sampogna.Matt@principal.com

Table of Contents

This actuarial valuation report is for the defined benefit retirement plan named on the cover of this report. It may only be provided to other parties in its entirety. The purpose of this report is to provide you with information to fund the benefits of the plan as described in your plan document. It is based on employee data and other information you provide.

Executive Summary

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Executive Summary

Current Year Costs

The following is a synopsis of your plan costs for the current year, including the contribution required and due dates.

The Annual Required Contribution for your plan this year is $2,511,751

- This annual required contribution is in addition to employee contributions.
- The annual required contribution represents a minimum deposit level.
- Annual required contribution is significantly higher than in 2008 due to asset losses.

Deposit Information

A summary of the results of the actuarial valuation is as follows:

Total normal cost plus expenses	$ 1,970,177
Employee normal cost (expected employee contributions)	621,785
Employer normal cost	1,348,392
Total normal cost as a percentage of total member compensation	6.21%
Annual required contribution (ARC)	2,511,751
ARC as a percentage of total member compensation	7.92%

Analysis

Like many pension plans, the City of Rockville Defined Benefit Pension Plan assets experienced sizeable losses in the past year. While the change in overall liability was consistent with expectations, the asset experience resulted in an increase in the unfunded actuarial accrued liability. This produced an actuarial loss and a greater annual required contribution.

The asset method used for the valuation smooths asset gains and losses over four years, which reduces the impact of the market decline on the 2009 results. However, the deferred asset losses must be recognized in future years. Unless the plan experiences significant asset gains, the result will be higher required contributions in the future.

For the first time this year, we have included a three year projection of the annual required contributions of the plan. This may be found on beginning on page 11.

Changes from Prior Valuation

For the past several years, cost of living increases were granted to current retirees. However, no such cost of living increase was established in 2009. Therefore, this report reflects the same benefit amounts for current retirees as the prior valuation.

Deposits Received

We have received employee deposits totaling $245,758 for the April 1, 2009 plan year as of 07/28/2009. Historically, the City of Rockville has made employer contributions in the last month of the plan year.

Funding Method

The entry age normal cost method is used for this valuation. This method estimates the total cost of all projected plan benefits based on the assumptions shown in this report and the participant data you have supplied.

Costs are spread evenly from a member's date of hire to assumed retirement age. This annual cost is spread as a level percentage of compensation. The sum of each member's annual cost is the normal cost of the plan.

The value of accumulated costs for past years is the actuarial accrued liability (AAL). Each year the unfunded actuarial accrued liability (UAAL) is the AAL less the actuarial value of assets, not less than zero.

The annual required contribution is equal to the normal cost of the plan, plus a 20-year amortization of the plan's UAAL.

Supplemental Employee Contributions

As of April 1, 2009, if the City contribution to the defined benefit plan on behalf of Administrative and Union employees exceeds 6.5% of the earnings of those employees, the City may, at its discretion, impose a "Supplemental Employee Contribution" for the following year.

The amount of the Supplemental Employee Contribution is limited to no more than 50% of the excess of the City contribution over 6.5% of the earnings of the administrative and union employees.

Beginning this year, we will provide estimated Supplemental Employee Contributions in our valuation report.

If you have any questions about any of the material covered in this report, please contact a member of your team at The Principal.

Your Pension Actuarial Analyst is Matt Sampogna

Phone – 1-800-557-6627 extension 9692, or 412-394-9692

Email – Sampogna.Matt@principal.com

Funding Calculations

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Funding Calculations

Deposit Information

Normal Cost	April 1, 2009	April 1, 2008
Total normal cost	$ 1,970,177	$ 1,749,803
Employee normal cost (expected contributions from employees not yet eligible for normal retirement)	621,785	561,417
Employer normal cost	1,348,392	1,188,386
Total annual member compensation	31,708,344	27,780,990
Total normal cost as a percentage of member compensation	6.21%	6.30%

Annual Required Contribution	April 1, 2009	April 1, 2008
Employer normal cost	$1,348,392	$1,188,386
Amortization amounts	982,700	276,901
Valuation interest to the end of the plan year	180,659	113,366
Annual required contribution (ARC)	$2,511,751	$1,578,653
ARC as a percentage of member compensation	7.92%	5.68%

The annual required contribution is in addition to employee contributions.

Development of Deposit Information

Development of Normal Cost

Normal cost is the portion of cost assigned to each year. Under the entry age normal cost method used in this valuation, each member's annual cost is calculated as described in the Assumptions and Methods section. The sum of the annual costs for all members plus an estimate of plan expenses to be paid from the fund is the total normal cost for the year.

a)	Normal cost for Administrative Personnel and Union	$ 1,455,422
b)	Normal cost for Police	512,055
c)	Estimated expenses [1]	2,700
d)	Total normal cost (a+b+c)	$1,970,177

[1] Expenses are allocated between groups based on the ratio of participants per group to the total number of participants in the plan.

Unfunded Actuarial Accrued Liability

a)	Unfunded actuarial accrued liability (as of 04/01/2008)	$ 2,984,662
b)	Changes made during the plan year	0
c)	Employer normal cost (as of 04/01/2008)	1,188,386
d)	Interest on the above items	323,411
e)	Total (a+b+c+d)	$ 4,496,459
f)	Employer contributions	$ 1,981,817
g)	Interest on employer contributions	7,715
h)	Total (f+g)	$ 1,989,532
i)	Expected unfunded actuarial accrued liability (as of 04/01/2009) (e-h)	$ 2,506,927
j)	Actuarial accrued liability	$ 72,290,941
k)	Actuarial value of assets	61,698,621
l)	Actual unfunded actuarial accrued liability (as of 04/01/2009) (actuarial accrued liability less actuarial value of assets) (j-k)	$10,592,320
m)	Actuarial (gain) or loss (actual less expected unfunded actuarial accrued liability) (l-i)	$ 8,085,393

Schedule of Amortization Bases

Your cost method allocates a portion of plan funding to be amortized in equal annual installments, rather than to be paid through future normal costs. The minimum period over which the bases are amortized are described by law or regulations.

Date Created	Reason	Remaining Period (Years)	Current Unfunded Balance	Minimum Annual Amortization
04/01/2009	Unfunded Actuarial Accrued Liability	20	$ 10,592,320	$ 982,700

Funding Projections

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Annual Required Contribution Projections

As part of the actuarial valuation this year, we have projected contribution estimates into the future based on current year results. These estimates utilize the same assumptions and census data as of 04/01/2009. Additionally, asset returns are assumed to be 7.75% for all future years.

Any deviation in assumptions, census demographics, or asset performance would impact these approximations.

	April 1, 2009	April 1, 2010 (est.)	April 1, 2011 (est.)
Interest Rate	7.75%	7.75%	7.75%
Return on Market Value of Assets		7.75%	7.75%
Actuarial Accrued Liability	$ 72,290,941	$ 77,200,000	$ 82,530,000
Actuarial Value of Assets	61,698,621	58,060,000	55,230,000
Unfunded Liability	10,592,320	19,140,000	27,300,000
Funded Ratio	85.3%	75.2%	66.9%
Amortization of Unfunded	982,700	1,780,000	2,530,000
Employer Normal Cost	1,348,392	1,450,000	1,570,000
Interest	180,659	250,000	320,000
Annual Required Contribution	$ 2,511,751	$ 3,480,000	$ 4,420,000

Employer Thrift Plan Matching Contribution Projections

For both Union and Administrative Personnel enrolled in the Thrift Plan, employees can contribute 1%, 2%, 3%, 4%, or 5% of earnings to the Thrift Plan. For each $1.00 contributed by a member, the City of Rockville then contributes $0.50 to the plan.

While this valuation only reflects the Defined Benefit Plan portion of liabilities, we are able to estimate the cash outlay of the City's matching contribution to the Thrift Plan based on current census data, pay information, salary scale assumptions, and individual employee contribution percentages.

	April 1, 2009	April 1, 2010	April 1, 2011
Total Pay (Thrift Plan only)	$ 25,080,000	$ 26,420,000	$ 27,830,000
Employee Contribution	1,086,000	1,144,000	1,206,000
City Matching Contribution	$ 543,000	$ 572,000	$ 603,000

Supplemental Employee Contribution Projections

As documented in the provisions of the plan, the City of Rockville maintains the right to enforce a Supplemental Employee Contribution as it pertains to the defined benefit portion of the pension plan. Specifically, as of any April 1, if the City contribution to the Defined Benefit Option of the plan made on behalf of Administrative or Union employees exceeds 6.50% of the earnings of the Administrative or Union employees, then the City reserves the right to impose a Supplemental Employee Contribution for the following calendar year.

This Supplemental Employee Contribution can be no more than 50% of the excess of the City contribution over 6.50% of earnings for Administrative and Union employees. Such a contribution would be treated as a contribution to the Defined Benefit Option.

	April 1, 2009	April 1, 2010	April 1, 2011
Administrative total compensation	$ 23,640,832	$ 24,890,000	$ 26,180,000
Union total compensation	4,172,059	4,400,000	4,640,000
Total Admin and Union compensation	$ 27,812,891	$ 29,290,000	$ 30,820,000
Total annual required contribution	$ 2,511,751	$ 3,480,000	$ 4,420,000
Allocated ARC to Admin and Union[1]	2,136,370	2,960,000	3,760,000
ARC as a percentage of compensation	7.68%	10.10%	12.20%
Excess over 6.50%	1.18%	3.60%	5.70%
50% of excess	0.59%	1.80%	2.85%
Maximum Supplemental Employee Contribution	$ 164,096	$ 530,000	$ 880,000

[1] Allocation of annual required contribution assumes the same percentage attributable to the Administrative and Union employees as outlined in the "Allocation of 2009 Contribution" section of this report. For 2009, this percentage was equal to 85.055%.

Asset Information

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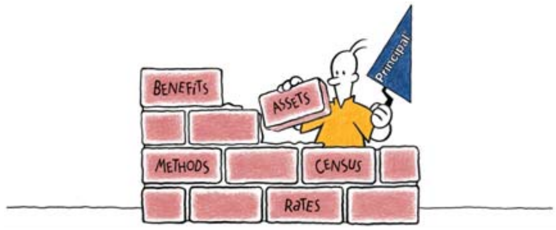

Asset Information

Plan Assets

We measure your plan's assets at the beginning of each plan year. Contributions you may have already made for the 2009 plan year are not included.

Both market value and actuarial value for the 2009 plan year are shown below. Actuarial value is used for all funding calculations. You can see the derivation of the Actuarial Value on the following page and can identify the reason for any difference between Market Value and Actuarial Value in the Methods Selected by Plan Sponsor section of Assumptions and Methods.

Market Value of Plan Assets	
Investments held by Principal Financial Group	$34,116,755
Investments held by Prudential	6,941,220
Total Value	**$41,057,975**

The actuarial value of plan assets is $61,698,621 for the current year.

The actuarial value of assets spreads investment gains and losses over four years. 75% of the 2008 losses are deferred to future years. As a result, the actuarial value of assets for 2009 is significantly above market value. A full development of this value can be found on the following page.

Development of Actuarial Value of Assets

To determine the actuarial value of the assets, we have adjusted the market value by:

- Subtracting any remaining deferred appreciation in excess of expected investment earnings.
- Adding any remaining deferred appreciation short of expected investment earnings (shortfall).

Of the total excess appreciation or shortfall for any one plan year, 25% is allocated to the current plan year and each of the next three plan year.

a)	Market value of assets as of 04/01/2008	$ 59,978,049
b)	Contributions / transfers	2,673,820
c)	Benefit payments	(2,710,852)
d)	Expenses	(2,700)
e)	Expected interest on (a), (b), (c), and (d)	4,571,147
f)	Expected value of assets as of 04/01/2009 (a+b+c+d+e)	$ 64,509,464
g)	Market value of assets as of 04/01/2009	$ 41,057,975
h)	Current year excess appreciation / (shortfall)	(23,451,489)
i)	Adjustment to market value (sum of deferred amounts)	(20,640,646)
j)	Actuarial value of assets as of 04/01/2009 (g-i)	$ 61,698,621

Allocation of Deferred Appreciation

	Plan Year			
Allocation Year	2006	2007	2008	2009
2006	$ 450,837			
2007	450,836	$ 473,331		
2008	450,836	473,331	$ (1,762,680)	
2009	450,836	473,331	(1,762,680)	$ (5,862,873)
2010		473,330	(1,762,680)	(5,862,872)
2011			(1,762,680)	(5,862,872)
2012				(5,862,872)
Total	$ 1,803,345	$ 1,893,323	$ (7,050,720)	$ (23,451,489)
Deferred	$ 0	$ 473,331	$ (3,525,360)	$ (17,588,617)

Adjustment to market value (sum of deferred amounts) $ (20,640,646)

Allocation of Actuarial Value of Assets as of April 1, 2009

		Admin and Union	Police	Total
a)	Actuarial value of assets as of 04/01/2008	$ 53,321,932	$ 10,546,659	$ 63,868,591
b)	Employee contributions to DB plan 04/01/2008 to 03/31/2009	350,767	341,236	692,003
c)	Employer contributions to DB plan [1] 04/01/2008 to 03/31/2009	1,676,677	305,140	1,981,817
d)	Benefit payments and expenses [2] 04/01/2008 to 03/31/2009	(2,472,403)	(241,148)	(2,713,551)
e)	Allocation basis (a+b+c+d)	52,876,973	10,951,887	63,828,860
f)	Net interest to allocate	(1,764,728)	(365,511)	(2,130,239)
g)	Contribution receivable	0	0	0
h)	Actuarial value of assets as of 04/01/2009 (e+f+g)	$ 51,112,245	$ 10,586,376	$ 61,698,621

Allocation of 2009 Contribution

	Admin and Union	Police	Total
2009 employer normal cost	$ 1,146,873	$ 201,519	$ 1,348,392
Allocation percentage	85.055%	14.945%	100.000%
Allocated Annual Required Contribution	$ 2,136,370	$ 375,381	$ 2,511,751
Total annual member compensation	$ 27,812,891	$ 3,895,453	$ 31,708,344
Allocated ARC as a percentage of compensation	7.68%	9.64%	7.92%
Discretionary Supplemental Employee Contribution for next year[3]	$ 164,096	N/A	$ 164,096

[1] Total employer contribution of $1,981,817 split on basis of 2008 employer DB normal cost plus expenses.
[2] Benefit payments include retiree payments, as well as lump sum distributions, and expenses. Expenses are allocated to each group based on the total life count for each group as a percentage of the total life count for the entire plan.
[3] If the City contribution to the Defined Benefit Option of the Plan made on behalf of the Administrative or Union employees exceeds 6.50% of the earnings for those employees, the City reserves the right to impose a Supplemental Employee Contribution for the following calendar year less than or equal to 50% of the excess of the City contribution over 6.50% of earnings.

Data and Assumptions

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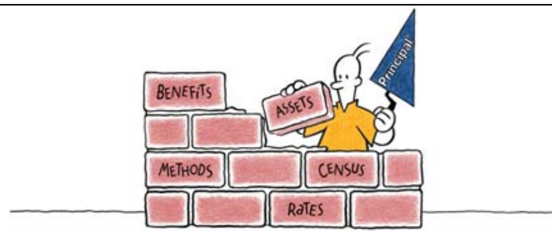

Data and Assumptions

Census Characteristics

	04/01/2008	04/01/2009	Change
Number of Covered Participants			
Actives	502	541	+39
Terminated Vested	177	184	+7
Retirees	165	170	+5
Total	844	895	+51
Average Age			
Actives	44.1	44.1	0.0
Terminated Vested	42.9	43.5	+0.6
Retirees	68.8	69.1	+0.3
All	48.7	48.7	0.0
Average Years of Service			
Actives	10.3	10.2	-0.1
Monthly Accrued Benefits			
Actives (projected)	$1,910,239	$2,180,965	+14.2%
Terminated Vested	27,329	27,028	-1.1%
Retirees	220,806	229,199	+3.8%

Census Reconciliation

	Police	Admin DB	Admin TP	Union DB	Union TP	Total
Active Participants						
Count on 04/01/2008	53	38	307	3	101	502
New entrants	5		50		14	69
Plan to plan transfer			2		-2	0
Return to active status					2	2
Terminated, nonvested			-2		-9	-11
Terminated, vested	-1		-14			-15
Retired with annuity		-2	-4			-6
Death						0
Count on 04/01/2009	57	36	339	3	106	541
Inactive Participants						
Count on 04/01/2008	9	6	140	1	21	177
New and inactive			2			2
Return to active status					-2	-2
Retired with annuity						0
Terminated, lump sum			-2		-5	-7
Terminated, vested	1		14			15
Death					-1	-1
Count on 04/01/2009	10	6	154	1	13	184
Retired Participants						
Count on 04/01/2008	6	87	41	26	5	165
New retired		3	4			7
Death		-1	-1	-2		-4
Beneficiary		1		1		2
Fixed period ends						0
Count on 04/01/2009	6	90	44	25	5	170

Plan Provisions

This report reflects the maximum benefit limits under Internal Revenue Code (IRC) Section 415 and maximum compensation limits under IRC Section 401 in effect on the first day of each plan year.

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document. This report reflects the provisions of the plan effective 12/18/2006.

Plan Eligibility		
	Defined Benefit Option	**Thrift Plan Option**
Administrative Personnel	Hired prior to 04/15/1986 and elected not to transfer to Thrift Plan.	Hired prior to 04/15/1986 and elected to transfer from Defined Benefit Option or hired on or after 04/15/1986.
Union Employees	Hired prior to 12/02/1986 and elected not to transfer to Thrift Plan.	Hired prior to 12/02/1986 and elected to transfer from Defined Benefit Option or hired on or after 12/02/1986.
Police Employees	All Police employees are eligible for the Defined Benefit Option only.	N/A

Normal Retirement Benefit		
Form	All employees will receive a monthly annuity guaranteed for ten years and life thereafter. Optional forms may be elected in advance of retirement.	
Age	**Defined Benefit Option**	**Thrift Plan Option**
Administrative Personnel and Union Employees	Attained age 60.	Attained age 60
Police	Earlier of attained age 60 or 25 years of service	N/A

Amount (accrued benefit)	**Defined Benefit Option**	**Thrift Plan Option**
Union Employees	1.8% of average earnings times credited service.	The sum of (i), (ii), and (iii): i) 1.8% of average earnings times credited service prior to 01/01/1987 ii) 1.0% of average earnings times credited service after 12/31/1986 iii) Actuarial equivalent of a lump sum payment of members Thrift Plan Option vested account balance. Member may elect a cash distribution or combination of cash and annuity
Administrative Personnel	The sum of (i) and (ii): i) 1.8% of average earnings times credited service prior to 04/01/1996. ii) 2.0% of average earnings times credited service on or after 04/01/1996.	The sum of (i), (ii), and (iii), and (iv): i) 1.8% of average earnings times credited service prior to 04/01/1986. ii) 1.0% of average earnings times credited service after 04/01/1986 and prior to 04/01/1996. iii) 1.2% of average earnings times credited service on or after 04/01/1996. iv) Actuarial equivalent of a lump sum payment of members Thrift Plan Option vested account balance. Member may elect a cash distribution or combination of cash and annuity
Police Employees	The lesser of (i) and (ii): i) 2.0% of average earnings times credited service up to 04/01/2004, plus 2.25% of average earnings times credited service on and after 04/01/2004.	

	ii) 67.5% of average earnings.	

Early Retirement Benefit	
Age	Attained age 50.
Service	Ten years of credited service
Form	Same as normal retirement benefit.
Amount	Accrued benefit on early retirement date reduced to reflect that payments begin prior to normal retirement date.
Reduction Factors:	
Administrative Personnel and Union Employees	¼ of 1% for each month the benefit commences prior to normal retirement date.
Police	6/10 of 1% for each month during the first sixty months and 3/10 of 1% for each month during the next sixty months the benefit commences prior to normal retirement date.

Late Retirement Benefit	
Age	No maximum age
Form	Same as normal retirement benefit.
Amount	Accrued benefit on late retirement date.

Deferred Vested Benefit	
Eligibility	Termination of employment after ten years of credited service.
Form	Same as normal retirement benefit with income deferred until normal retirement date.
Amount	Accrued benefit as of date of termination. In lieu of receiving a retirement benefit, an employee may elect to receive a lump sum payment equal to that which the employee would have received under the Termination Benefit below.

Termination Benefit			
	Defined Benefit Option		**Thrift Plan Option**
Eligibility	Termination of employment prior to early or normal retirement date and before completing ten years of credited service.		Termination of employment prior to early or normal retirement date and before completing seven years of credited service.
Form	Lump sum payment.		Lump sum payment.
Amount	The sum of (i) and (ii): i) Employee contributions plus interest. ii) A portion of the City's contributions plus credited interest according to the following schedule:		Vested account balance.
	Years of Credited Service	Percent of City Share Earned	
	Less than 5 5 6 7 8 9 10 and over	0% 50% 60% 70% 80% 90% 100%	
	City contributions are deemed to be 150% of the employee's contributions plus interest.		

Survivor Annuity Death Benefit	
Eligibility	Qualified married participant with ten years of credited service.
Form	Monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death.
Amount	If death occurs, the amount paid to the surviving spouse is equal to the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

Lump Sum Death Benefit		
Eligibility	Not eligible for the Survivor Annuity Death Benefit described above.	
Form	Lump sum payment to beneficiary	
	Defined Benefit Option	**Thrift Plan Option**
Amount	Employee contributions plus credited interest. In lieu of any other death benefit, the deceased employee's beneficiary may elect to receive a lump sum payment equal to that which the employee would have received under the Termination Benefit described above.	Vested account balance.

Contributions		
Employees	**Defined Benefit Option**	**Thrift Plan Option**[1]
Union	4.2% of earnings plus ½ the excess (if any) of the City's contribution over 6.5% of earnings.	1%, 2%, 3%, 4%, or 5% of earnings.
Administrative Personnel	5.2% of earnings plus ½ the excess (if any) of the City's contribution over 6.5% of earnings.	1.0% of earnings will be contributed to the Defined Benefit portion. 1%, 2%, 3%, 4%, or 5% of earnings will be contributed to the Thrift Plan portion.
Police	8.5% of earnings.	N/A
City	Remaining cost of plan.	$0.50 for each $1.00 contributed by member. (Applies to Administrative Personnel and Union employees only.)

Cost of Living Adjustment	
	Historically, there have been cost-of-living increases given to current retirees. For the 04/01/2009 valuation, however, there have been no cost of living increases since January 1, 2008.

(1) Employee contributions and match of the Thrift Plan Option are described here. However, only the Defined Benefit plan portion of liabilities is reflected in this valuation.

Definitions		
Credited Prior Service	An employee will receive credit for each full year of continuous service and fraction thereof, to the nearest full month, completed from date of employment to July 1, 1969. The member will receive credited prior service provided employee contributions were made as required by the plan.	
Credited Future Service	An employee will receive credit for each full year of continuous service and fraction thereof, to the nearest full month completed from the later of July 1, 1969, or the date member is first included in the plan, to the date of termination or retirement, whichever occurs first. The member will receive credited future service provided employee contributions are made as required by the plan.	
Credited Service	Sum of credited prior service, if any, and credited future service.	
Earnings	The employee's salary or wage at the basic rate of pay, including longevity pay, exclusive of overtime pay, bonuses, and commissions.	
Average Earnings:		
Administrative Personnel and Union Employees	Average of earnings during the 36 consecutive months of the last 120 months of City employment which produce the highest average.	
Police	The average annual earnings during the final 60 months of City employment.	
	Defined Benefit Option	**Thrift Plan Option**
Interest on Employee Contributions	6.0% per year.	In accordance with the terms of the investment contract.
Vested Account Balance	The sum of (i) and (ii):) Employee contributions plus credited interest. i) The account balance attributable to City contributions with credited interest in accordance with the following:	
	Years of Credited Service	Percent of City Share Earned
	Less than 5 5 6 7 8 9 10 and over	0% 50% 60% 70% 80% 90% 100%

Optional Forms of Benefit Payments	The optional forms of benefit payments are: • Monthly annuity payable for life, 10 years certain and life • Monthly annuity payable as a survivorship life annuity with survivorship percentages of 50, 75 or 100 • Single sum payment equal to the present value of the vested accrued retirement benefit

Assumptions and Methods

Assumptions and Method Changes Since Last Year	
Assumption Changes There have been no changes in assumptions or plan provisions since last year other than to reflect changes in maximum benefit limits under Internal Revenue Code (IRC) Section 415 and in maximum compensation limits under IRC Section 401.	
Assumptions Selected by Plan Sponsor	
Interest	During Benefit Payment Period: 7.75% Before Benefit Payment Period : 7.75%
Mortality	During Benefit Payment Period RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA. Before Benefit Payment Period RP-2000 Combined Mortality Table, male and female, projected to 2005 with scale AA.
Asset Measure	Market value is adjusted by spreading the expected value minus the actual value over four years.
Deposits After Plan Year End	Deposits received in the current plan year, but applied to the prior plan year, are included in the assets at their face value.
Annual Required Contribution	Normal cost plus 20-year amortization of unfunded actuarial accrued liability with interest to the end of the plan year.
Assumptions Selected by Actuary	
Retirement Age	Normal Retirement Age as defined in Plan Provisions

<table>
<tr><td>Upcoming Year Salary Increase</td><td>The preceding year’s salary is increased using the S-5 Table from The Actuary’s Pension Handbook, increased by 3.00% at each age for Thrift Plan members, 2.50% at each age for Police members, and 2.00% at each age for Defined Benefit Plan members. This table provides a rate of increase that declines as participants age.

<table>
<tr><th></th><th colspan="3">Upcoming Increase</th></tr>
<tr><th>Age</th><th>Thrift Plan</th><th>Police</th><th>DB Plan</th></tr>
<tr><td>20</td><td>8.10%</td><td>7.60%</td><td>7.10%</td></tr>
<tr><td>25</td><td>7.18%</td><td>6.68%</td><td>6.18%</td></tr>
<tr><td>30</td><td>6.57%</td><td>6.07%</td><td>5.57%</td></tr>
<tr><td>35</td><td>6.11%</td><td>5.61%</td><td>5.11%</td></tr>
<tr><td>40</td><td>5.72%</td><td>5.22%</td><td>4.72%</td></tr>
<tr><td>45</td><td>5.39%</td><td>4.89%</td><td>4.39%</td></tr>
<tr><td>50</td><td>5.12%</td><td>4.62%</td><td>4.12%</td></tr>
<tr><td>55</td><td>4.88%</td><td>4.38%</td><td>3.88%</td></tr>
</table></td></tr>
<tr><td>Expenses</td><td>Deducted from the fund according to expense scales in Service Agreement. Normal Cost includes estimated expense charge.</td></tr>
<tr><td>Disability</td><td>1987 Commissioner’s Group Disability Table, six month elimination period, male and female.</td></tr>
<tr><td>Marriage</td><td>75% married; husbands are 3 years older than wives.</td></tr>
<tr><td>Actuarial Cost Method</td><td>Entry age normal.</td></tr>
<tr><td>Cost of Living Increase</td><td>No explicit increase is assumed for future years.</td></tr>
</table>

Withdrawal	The illustrative rates below were used. For employees with less than six years of service (excluding those in the Administrative and Union Defined Benefit Plans):

Service	Admin TP	Union TP	Police
0	.1200	.1200	.0800
1	.1120	.1120	.0720
2	.1040	.1040	.0640
3	.0960	.0960	.0480
4	.0880	.0880	.0400
5	.0800	.0800	.0320

For employees with six or more years of service:

V Table from August 1992 Pension Forum published by the Society of Actuaries, multiplied by 0.90 for Administrative and Union Thrift Plan members, 0.25 for Administrative Defined Benefit members, and 0.25 for Police members.

Sample rates of withdrawal are shown here:

Age	Admin & Union TP	Admin DB	Police
20	.1674	.0465	.0465
25	.1224	.0340	.0340
30	.0909	.0253	.0253
35	.0711	.0198	.0198
40	.0585	.0163	.0163
45	.0495	.0138	.0138
50	.0405	.0113	.0113
55	.0000	.0000	.0000

No withdrawal is assumed for the Union Defined Benefit Plan.

Retirees	Assets and liabilities for retirees whose benefits are not guaranteed by your contract are included in your valuation.

Assumptions and Methods Elected by Actuary
SFAS No.35

With the exceptions below, all assumptions and methods are the same as those used in determining your plan’s regular Actuarial Accrued Liability and Normal Cost.

Interest Rate Used to Value Liabilities	7.75%

Description of Actuarial Cost Method
Entry Age Normal

Ultimate Cost

The ultimate cost of your pension plan is:

- Benefit payments
- Plus expenses
- Less investment income

This cost cannot be determined until the last benefit has been paid. Regardless of which actuarial cost method is used, the ultimate cost remains the same.

Cost Methods

A cost method is a budgeting tool. It helps to ensure that your pension plan is adequately and systematically funded. Cost methods differ based on how they assign an annual cost to the current year and how they treat gains and losses.

Normal Cost

The portion of cost assigned to each year is called the normal cost. The normal cost may be shared by the employer and the employees based on plan provisions.

Entry Age Normal

The entry age normal cost method is used for this valuation. This method estimates the total cost of all projected plan benefits based on the assumptions shown in this report and the participant data you have supplied.

Costs are spread evenly from a member's date of hire to assumed retirement age. This annual cost is spread as a level percentage of compensation if benefits are salary related or as a level dollar amount if not salary related. The sum of each member's annual cost is the normal cost.

There are some accumulated costs for past years. The value of these past costs is the actuarial accrued liability (AAL). Each year the unfunded actuarial accrued liability (UAAL) is the AAL less the actuarial value of assets, but not less than zero. The UAAL is adjusted when there are plan or assumption changes (a liability base is created).

Actuarial Gains/Losses

An actuarial gain or loss occurs when actual plan experience differs from what was assumed. The actuarial gain or loss is calculated separately but the total UAAL is amortized over 20 years each year in accordance with the City's funding policy.

Actuary Statement

To the best of my knowledge, this report is complete and accurate. It complies with all relevant pension actuarial standards and legal requirements.

In preparing this report, I have relied on:

- reports of participants, salary, and service provided by the plan sponsor as of the last day of the 2008 plan year.
- information for any participants being paid by Principal Life Insurance Co, as of the last day of the 2008 plan year, as reported by Principal Life Insurance Company.
- market value of assets and benefit and expense transaction information for the preceding plan year, reported as of the last day of the 2008 plan year by Principal Financial Group and the plan sponsor.
- plan documents on file with Principal Life Insurance Company, including changes as noted on the Summary of Plan Provisions page of this report.

Appropriate tests of reasonableness and accuracy have been made and reviewed. The information provided is adequate to support the results in this report.

I confirm that as the enrolled actuary for this pension plan, I am completely independent of the plan sponsor and any of its officers or key personnel. Neither I nor anyone closely associated with me has any relationship known to me which would impair my independence.

In my opinion, each assumption and method chosen is reasonable (taking into account the experience of the plan and reasonable expectations), and which, in combination, offer my best estimate of anticipated experience under the plan.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of my knowledge, this report is complete and accurate. It complies with all relevant pension actuarial standards and legal requirements.

Michael E Clark

07/28/2009

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Estimated cost of 1% Cost of Living increase to current retirees

	04/01/2009 Valuation	04/01/2009 with 1% Cost of Living
Non-Police Group		
Accrued Liability		
Participants in pay status	$23,326,518	$23,564,819
Inactive participants	1,955,348	1,955,348
Active participants	34,559,608	34,559,608
Total	$59,841,474	$60,079,775
Actuarial Value of Assets	$51,112,245	$51,112,245
Unfunded Accrued Liability	8,729,229	8,967,530

Each1% cost of living increase results in an additional $238,301 of Accrued Liability for the Non-Police group.

	04/01/2009 Valuation	04/01/2009 with 1% Cost of Living
Police Group		
Accrued Liability		
Participants in pay status	$2,691,895	$2,718,644
Inactive participants	179,478	179,478
Active participants	9,578,094	9,578,094
Total	$12,449,467	$12,476,216
Actuarial Value of Assets	$10,586,376	$10,586,376
Unfunded Accrued Liability	1,863,091	1,889,840

Each1% cost of living increase results in an additional $26,749 of Accrued Liability for the Police group.

The above does not include the amount necessary to purchase a 1% cost of living increase for retirees at Hartford.

Accounting Information for SGAS 25/27

Carryforward of Net Pension Obligation		
a)	Annual required contribution for 2008 plan year	$1,578,653
b)	Interest on net pension obligation	0
c)	Adjustment to annual required contribution	0
d)	Annual pension cost for 2008 plan year (a+b+c)	1,578,653
e)	Actual contributions made	1,981,817
f)	Increase / (decrease) in net pension obligation	(403,164)
g)	2008 beginning of year net pension obligation	0
h)	2008 end of year net pension obligation	$(403,164)

Annual Pension Cost for 2009 Plan Year		
a)	Normal cost with interest	$1,452,892
b)	Amortization with interest	1,058,859
c)	Annual required contribution (a+b, not less than zero)	2,511,751
d)	Interest on net pension obligation	(31,245)
e)	Adjustment to annual required contribution	40,302
f)	Annual pension cost (c+d+e)	$2,520,808

Carryforward of Net Pension Obligation

(a) Year	(b) Val'n Rate	(c) Amort Period	(d) ARC	(e) Interest On NPO (l py x b)	(f) ARC Adjust. (-l py / g)	(g) Amort. Factor (c yrs @ b%)	(h) APC (d+e+f)	(i) Actual Deposit	(j) Loss/ (Gain) (d-i)	(k) Change In NPO (h-i)	(l) NPO Balance (l py+k)
2002	7.75%	20	1,190,163	0	0	10.0035	1,190,163	1,190,163	0	0	0
2003	7.75%	20	1,389,561	0	0	10.0035	1,389,561	1,389,561	0	0	0
2004	7.75%	20	1,529,727	0	0	10.0035	1,529,727	1,529,727	0	0	0
2005	7.75%	20	1,473,052	0	0	10.0035	1,473,052	1,473,052	0	0	0
2006	7.75%	20	1,599,777	0	0	10.0035	1,599,777	1,599,777	0	0	0
2007	7.75%	20	1,550,658	0	0	10.0035	1,550,658	1,550,658	0	0	0
2008	7.75%	20	1,578,653	0	0	10.0035	1,578,653	1,981,817	(403,164)	(403,164)	(403,164)
2009	7.75%	20	2,511,751	(31,245)	40,302	10.0035	2,520,808				

Accounting Information for SGAS 25/27

2009 Schedule of Funding Progress		
a)	Actuarial value of assets	$61,698,621
b)	Actuarial accrued liability (AAL) entry age	72,290,941
c)	Funded (unfunded) AAL (a-b)	(10,592,320)
d)	Funded ratio (a/b)	85.3%
e)	Covered payroll	31,708,344
f)	FAAL / UAAL as a percentage of payroll (c/e)	-33.4%